

FALL 2010

AUBURN

Thursday, November 4

WEYMOUTH

Thursday, November 4

WOBURN

Tuesday, November 9

LEE

Monday, November 15

HOLYOKE

Tuesday, November 16

HYANNIS

Thursday, November 18

IPSWICH

Monday, November 22

CAMBRIDGE

Tuesday, November 30

CAMBRIDGE

Thursday, December 2

FOXBOROUGH

Tuesday, December 7

Ready for Retirement

Presented by the MTRS Member Services, Benefits Administration and Communications and Training units

OVERVIEW

Timely notes and important updates

Part 1 Pre-retirement issues

What you need to do and consider before you retire

Part 2 The application process

A step-by-step walk-through of the process, so that you know what to do and to expect—and when

Part 3 Other retirement issues

Other topics you need to be aware of as you approach retirement

Q&A

Thank you for attending today!

Main Office

One Charles Park, Cambridge, MA 02142-1206

Phone 617-679-MTRS (6877) **Fax** 617-679-1661

Western Regional Office

Address through November 26


101 State Street, Suite 210, Springfield, MA 01103-2066

New location as of November 29

1414 Main Street, Suite 510, Springfield, MA 01144-0510

Phone 413-784-1711 **Fax** 413-784-1707

Online mass.gov/mtrs




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First and foremost—

The economy, the MTRS plan and your benefits

- The MTRS is a defined benefit plan under Section 401(a) of the Internal Revenue Code
- Your benefit is determined according to a set formula, and paid monthly for life
- Fluctuations in the financial markets do **not** affect the amount of your benefits; the pension fund is invested in a well diversified portfolio, with a focus on long-term returns

- The MTRS is a **defined benefit** plan under Section 401(a) of the Internal Revenue Code.
- Please visit our website for information on the pension fund's investment allocation and performance history.



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Recent changes in the pension law—

"Pension Reform I and II"


Effective July 1, 2009

- Changed the definition of **regular compensation** to exclude fringe benefits (grandfather provision may apply)
- Mandated the **direct deposit** of pension benefits for new retirees
- Eliminated service purchases for uncompensated school committee, selectman, and library trustee service

Effective January 1, 2010

- Changed the retirement calculation method for "**dual members**"

- **Dual members:** Regarding the calculation of retirement allowances for members of more than one Massachusetts public retirement system ("dual members"), the Act:
 - Eliminates the combination of two salaries into one retirement allowance
 - Provides for a separate retirement from each system, based on service and salary earned while in that system
 - Exempts members who do not have service in two systems, simultaneously, after 1/1/2010; and, members who have such service, but are vested in both systems as of that date
- **Uncompensated or nominally-compensated service:** The Act eliminated the purchase of credit for service in certain uncompensated or nominally-compensated (less than \$5,000/year) positions, even if that service was rendered before July 1, 2009. Please note:



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"Pension Reform I and II"

Continued

Effective July 1, 2010

- Increased interest on refunds to members who resign voluntarily with less than 10 years

Effective January 1, 2011

- Requires allocation of retiree health insurance costs between former employers
- Increases benefits to widows of certain disabled retirees
- Implements pension cap for new members: Limits "regular compensation" to 64% of the "non-grandfathered" I.R.C. s. 401(a)(17) limit; 2010: $64\% \times \$245,000 = \$156,800^*$

* Limit will change as the 401(a)(17) limit changes

- Specifically, the positions for which service can no longer be purchased are: selectman, city councillor or alderman, school committee member, moderator and library trustee.
- Service in these positions that was purchased prior to July 1, 2009 will count as creditable service.
- Service rendered after July 1, 2009 and compensated with less than \$5,000/year will not qualify as creditable service.

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First, know the eligibility criteria

Two retirement plans under the MTRS, each with different eligibility criteria:


- **"Regular"**
 - Any age, with **20 years** of creditable service, OR
 - **Age 55** with **10 years** of creditable service
- **RetirementPlus**
 - Any age, with **30 years** of creditable service, at least **20 years** of which must be "teaching" service with the MTRS or Boston Retirement System

- If you are participating in RetirementPlus and, at the time of your retirement, you have 30 years of creditable service, at least 20 years of which are "teaching" service with the MTRS or the Boston Retirement System, you will be eligible to receive the RetirementPlus enhanced benefit.
- With the RetirementPlus enhanced benefit, you receive an additional 12% added to your allowable "percentage of salary average" upon reaching 30 years, with an additional 2% for each full year thereafter (e.g., with 31 years, you receive an additional 14%; with 32 years, 16%; with 33 years, 18%, etc.).

If you have rendered any "membership" service on a part-time basis, please be aware of how your part-time service will be credited (see page 15 for details).

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Second, complete your service purchases NOW



- If you have rendered past creditable service that is eligible for purchase (see handout for list), investigate the benefit and cost of purchasing it **NOW**, if you haven't already
- **All service purchases must be paid in full prior to your date of retirement—remember:**
 - Certain types of creditable service must be purchased while you are still an active member
 - Rollovers and trust-to-trust transfers take time—start now
 - Late payments will postpone your date of retirement and delay your first retirement check

You may be eligible to purchase credit for:

- ☐ Out-of-state public school teaching
- ☐ Overseas Department of Defense dependent school teaching
- ☐ Non-public school teaching (out-of-state or in Massachusetts; restrictions apply)
- ☐ Massachusetts public school substitute, temporary or part-time teaching or tutoring
- ☐ Peace Corps service
- ☐ Massachusetts public service (a municipal department or state agency)
- ☐ Active military service (during your membership in a MA contributory retirement system or at any time)
- ☐ Vocational work experience service

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Third, understand that not all earnings qualify as regular compensation...

Included:

- Annual base salary per collective bargaining agreement (CBA) or individual contract
- Regular longevity
- Coaching
- Annual payments for additional services pursuant to CBA

Excluded:


- Amounts paid due to employer's knowledge of retirement
- Sick leave buy-back
- Unused vacation
- Hourly payments
- Temporary salary augmentations
- Annuities and fringe benefits*



* Except as grandfathered under the Pension Reform Act

- As you may know, you pay contributions only on earnings that count as "regular compensation." Likewise, when we determine your final salary average for your retirement benefit calculation, we count only your "regular compensation."
- **Temporary salary augmentations:** Pursuant to Public Employee Retirement Administration Commission (PERAC) regulation 840 CMR 15.03, regular compensation excludes extraordinary, ad hoc, nonrecurring salary enhancements, such as enhanced longevity buy-out provisions (ELBOs).

Part 1: Pre-retirement issues




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The Pension Reform Act

"Regular compensation"

- Effective July 1, 2009, housing allowances, employer-paid individual Life and Disability insurance premiums and Annuities ("LDAs") are no longer regular compensation
- LDA provisions that were in a contract in effect on May 1, 2009 will be "grandfathered" as regular compensation until the expiration of the term of *that* contract, or June 30, 2012, whichever occurs first
- Parties cannot extend the "grandfather" period by amending the term of the contract in effect on May 1, 2009 to go beyond its original expiration date

- Please see our website for links to these additional resources on pension reform:
 - ☐ commonly asked questions and answers
 - ☐ the full text of the Act
 - ☐ PERAC's section-by-section description of the Act (issued on June 22, 2009)
 - ☐ PERAC's frequently asked questions




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Regular compensation "grandfathering"


Example: Ann Administrator

Ann's contract in effect on May 1, 2009 includes life and disability insurance, as well as an annuity. This contract covers the term 7/1/08 to 6/30/11.

Q1 Is Ann's LDA "grandfathered" as regular compensation through 6/30/11?


YES, up to the amounts specified in the contract in effect on May 1, 2009 

Q2 Can Ann extend her contract so that her LDA will be "grandfathered" as regular compensation through 6/30/12?

NO, Ann's LDA is only "grandfathered" until 6/30/11, the expiration date of the contract in effect on May 1, 2009 

- LDA provisions in contracts whose terms automatically roll over without any new agreement or action by any party may be grandfathered through June 30, 2012.

Part 1: Pre-retirement issues



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Fourth, understand the benefit calculation formula

Age factor based on your age at retirement

x Your number of years of **creditable service**

Allowed percentage of salary average

+ **RetirementPlus** percentage, if applicable

Allowable percentage of salary average (80% max)

x **Salary average** (highest three consecutive years)

Your Option A annual allowance subtotal

+ **Veteran's bonus**, if applicable
(\$15 per year of creditable service, up to \$300)

Your Option A annual allowance total

- The salary average is the average of either your three highest consecutive years' salaries, or your last three years' salaries, whichever is greater.
- **Veteran's benefit:** If you are a military veteran as defined in M.G.L. c. 32 § 1, a veteran's benefit will be added to your Option A allowance. This benefit is equal to \$15 per year of creditable service, up to a maximum annual total of \$300. You will need to submit a copy of your military discharge (also known as Form DD214). If you are eligible to receive the maximum retirement allowance—80% of the average of your highest three consecutive years' salaries—by reason of your established creditable service and age, you will still receive your veteran's benefit on top of your maximum allowance.

Option B

- There are no restrictions on who or how many individuals or entities may be named as beneficiary.
- In most cases, the annuity will be depleted in 9 to 11 years.

Option C


- The beneficiary must be the member's parent, child, sibling, spouse or former spouse who has not remarried.
- If your Option C beneficiary predeceases you, your monthly benefit will "pop up" to the Option A benefit amount that you would have received on the date of your retirement, plus any cost-of-living adjustments.

Just for your reference...

The retiree class of 2009 chose as follows:

Option A	56%
Option B	14%
Option C	30%

Remember—your option selection is a personal choice, to be based on **your** individual financial and personal situation.



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Fifth, consider the three benefit options

Option	Retiree benefit amount	Survivor benefit, if any, upon retiree's death
A	Maximum allowance	None
B	Appr. 1% less than Option A amount	One-time lump-sum payment of balance, if any, remaining in retiree's account; no restrictions on beneficiary designation
C	Appr. 9–11% less than Option A amount	Monthly benefit, equal to 2/3 of retiree's benefit, to one named beneficiary (restrictions apply); pop-up provision

Part 1: Pre-retirement issues



Part 1: Pre-retirement issues
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Sixth, plan for your health insurance coverage

Avoid surprises—
a year **BEFORE** your date of retirement...

- Contact your appropriate insurance coordinator...
 - if **in** Retired Municipal Teachers' (RMT) Program (see list): Group Insurance Commission
 - if **not** in RMT: Local insurance coordinator; also applies if district participating in "GIC Municipality Program"
- If you qualify for Medicare, ask how your school district insurance will supplement your Medicare
- Understand survivor health insurance benefits—Do they exist? What are the costs?
- Arrange to have premiums withheld from your retirement check

Avoid penalties—BEFORE your 65th birthday... contact the SSA to determine your eligibility for Medicare and when you need to apply for Part B

Districts participating in the Retired Municipal Teachers' (RMT) Program As reported by GIC as of October 21, 2010

Amesbury	Gr. Lawrence Reg.	Peabody	Ware
Amherst	Harvard	Pelham	Wareham
Amherst-Pelham Reg.	Holyoke	Pioneer Valley Reg.	West Bridgewater
Andover	Hudson	Plainville	Westfield
Barnstable	Martha's Vineyard Reg.	Quabbin Reg.	West Springfield
Billerica	Medford	Rehoboth	Whitman-Hanson Reg.
Blackstone Valley Reg.	Milton	Revere	Wilbraham
Bourne	Monson	Rockland	Woburn
Braintree	Narragansett Reg.	Rockport	
Bridgewater	Newbury	Rutland	<i>For the latest list, always go to mass.gov/gic, or contact your local insurance coordinator</i>
Cohasset	North Adams	Salem	
Dedham	North Andover	Salisbury	
Dennis	North Attleboro	Shawsheen Valley Reg.	
Eastham	North Middlesex Reg.	Spencer	
Everett	Norwell	Spencer-E Brookfield Reg.	
Gloucester	Orange	Stoughton	
Granby	Paxton	Upper Cape Cod Reg.	

For information on your **health insurance coverage options** in retirement, if your district:

- Participates in the Retired Municipal Teachers' (RMT) Program (see list, below), contact the **Group Insurance Commission** at mass.gov/gic, or 617-727-2310.
- Is not listed as participating in the RMT Program, below, please contact **your local insurance coordinator**. (Note: Your city or town may participate in the "GIC Municipality Program." If so, you should still contact your local insurance coordinator as he or she will administer your coverage, which is provided through the GIC.)

For information regarding your **Medicare eligibility**, see www.medicare.gov/MedicareEligibility.

- Generally, you are eligible for Medicare if:
 - ☐ you or your spouse worked for at least 10 years in Medicare-covered employment and you are 65 years or older and a citizen or permanent resident of the United States, or
 - ☐ through your employer(s), you have paid the Medicare tax of 1.45% on your earnings for at least 10 years.
- Source: www.medicare.gov/MedicareEligibility > General Enrollment and Eligibility.
- If you were hired by a Massachusetts public employer on or after April 1, 1986, you are required to pay the 1.45% Medicare tax. While this does not earn you any Social Security "credits," it does entitle you to Medicare coverage at age 65 if you have paid this tax for at least 10 years.
 - Individuals who do not sign up for Medicare Part B when they are first eligible may be subject to a substantial late-enrollment penalty. Thus, be sure to inquire about your Medicare eligibility at least three months prior to your 65th birthday and follow the application procedures at www.ssa.gov.

Obtain the following information from your local insurance coordinator (generally, your local treasurer or school business office).

- 1) What percentage of your health insurance premium will your school district pay when you retire? %
- 2) Your health plan options...
 - Which health plans will your district make available to you when you retire?
 - What are the differences in premiums?
 - Does your district provide an option that will cover you if you move out of state? ☐ No ☐ Yes (describe)

Health plan


Premiums

- 3) If you qualify for Medicare, what are the insurance plan options provided by your school district to supplement Medicare?

- 4) If you cover a spouse or dependent(s):

- What will happen to your survivor's coverage in the event of your death?
- Will the district continue to pay a portion of your survivor's health insurance?

Part 2: The application process



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Five basic steps...

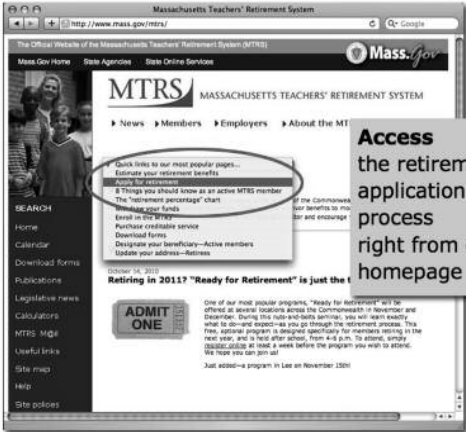
What you need to do...	When, relative to retirement date...
1. Go online to the MTRS website and estimate your benefit, review general issues and download the two-part Retirement Application	6 months before
2. Complete Part 1, gather your required documents, and give Part 2 to your payroll official for completion	5 months before
3. Receive Part 2 from your payroll official and submit your application to MTRS	3–4 months before
4. Receive your <i>Notice of Estimated Retirement Benefits</i> from MTRS	About 1 month before
5. Receive your first retirement check!	Second full month after

Two important reminders regarding Part 2:

- After you receive the completed Part 2 from your payroll official, carefully review the service and salary data to ensure that you are aware of the information that is being reported to the MTRS, and that it matches your understanding of your history and amounts.
- If your employment in the past five years was covered by an individual contract, be sure that your payroll official and superintendent have not only answered all of the questions regarding your contract(s), but that they have attached all additional documentation—formal or informal—regarding your contracts and salaries.

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Step 1: Go online and...




Access the retirement application process right from our homepage

Go to www.mass.gov/mtrs, and in the “Quick links to popular pages” drop-down menu, select “**Apply for retirement.**”


This will bring you to...

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...Estimate your retirement benefit using the interactive estimator



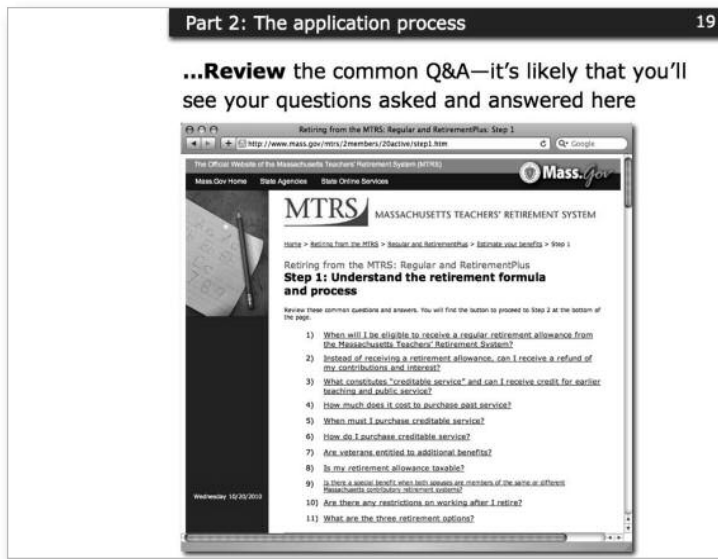
Click “Estimate your retirement benefits” to go to the four-page estimator...



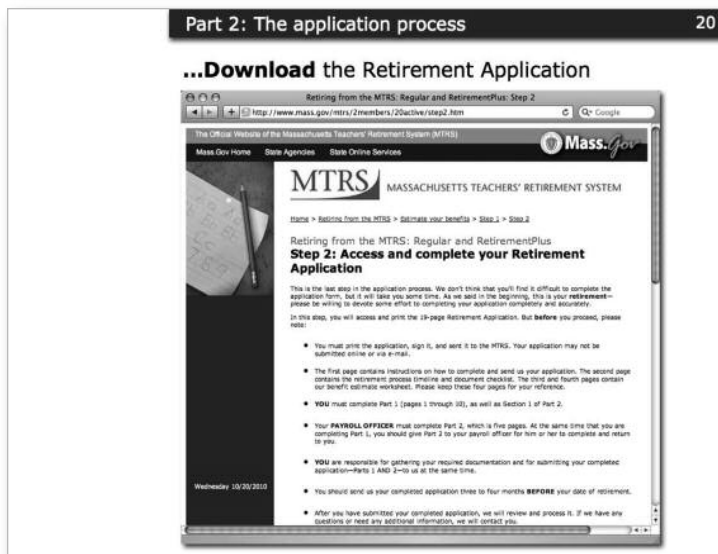
...the first page of the retirement application process.

Using the buttons at the bottom of the pages, follow the steps to **estimate** your retirement benefit...

Part 2: The application process

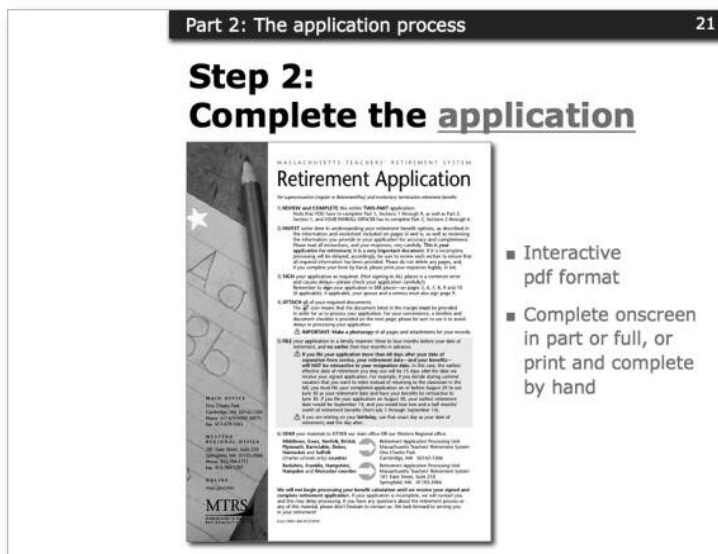


...review our Frequently Asked Questions, and...



...download the Retirement Application.


Note: We recommend that you follow all of these steps to get to the page with instructions for downloading the application form, as this will ensure that you are aware of the various issues to consider and the details of the retirement process. Later, if you find that you need to print out another copy of the application, you can access it directly from our Downloadable forms page.



Please note: If your salary changes **after** you submit your application to the MTRS, report these changes to the MTRS, including:

- retroactive contract settlements,
- stipends not previously reported on your retirement application, and
- unpaid leaves of absence or unpaid sick leave.

- Interactive pdf format
- Complete onscreen in part or full, or print and complete by hand



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Step 3: Submit the application


- **Receive** completed Part 2 from payroll official
- **Attach ALL** required documents
- **Make** a copy of everything for your records
- **Submit BOTH** Part 1 and Part 2 together to the MTRS (eastern MA, Cambridge office; western MA, Springfield office)
- MTRS will review your application and send you a letter to acknowledge it as received, and either **complete** or **incomplete**, with a request for the missing documentation

We advise you to file your retirement application three to four months before your retirement date. However, by law, you may file your application up to 60 days after your effective date of separation from service and still use the date of separation as your retirement date.

⚠ If you file your application more than 60 days after your date of separation from service, your retirement date—and your benefits—will **NOT** be retroactive to your resignation date. In this case, the earliest effective date of retirement you may use will be 15 days *after* the date we receive your signed application. For example, if you decide during summer vacation that you want to retire instead of returning to the classroom in the fall, you must file your completed application on or before August 29 to use June 30 as your retirement date and have your benefits be retroactive to June 30. If you file your application on August 30, your earliest retirement date would be September 14, and you would lose two and a half months' worth of retirement benefits (from July 1 through September 14).

⚠ If you are retiring on your **birthday**, use that exact day as your date of retirement, **not** the day after.

For information on choosing your retirement date, please see page 14.



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Step 4: Receive your *Notice of Estimated Benefits*

- Applications processed on a "first-come, first-served" basis
- We may need to contact your school department for additional information; we will notify you if this causes a delay
- Please note: Calculations may take up to four months to complete
- Once your benefit calculation is complete, your *Notice of Estimated Retirement Benefits* letter will be sent to you

Your *Notice of Estimated Benefits* will include:

- the components of the retirement formula used to calculate your benefit amount, including your number of years of creditable service, your three-year salary average and, if you selected Option C, information on your beneficiary;
- your monthly and annual retirement benefit amounts; and,
- if you selected:
 - ☐ Option B, your estimated annuity balance "spend-down" period (i.e., the estimated number of years after which your annuity balance will be zero and no benefit will be payable to your beneficiary upon your death).
 - ☐ Option C, the amount of your survivor benefit.




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Step 5: Receive your first retirement payment!

- Regardless of when your first payment is issued, all payments are **retroactive** to your date of retirement (provided you have filed your application *before* your date of retirement or *within 60 days after* your date of separation from service)
- Note that even though you must receive your payments via direct deposit, your first payment **may** be sent via US mail (only when standard testing of the electronic funds transfer process with your bank cannot be completed before our monthly payment processing date)

- Retirement checks are issued at the end of each month and represent payment for the *previous* month. For example, the payment that you receive at the end of January is the payment for January.
- **REMINDER: All service purchases must be paid for in full BEFORE your effective date of retirement. Late payments will delay your date of retirement—and your retirement benefits are retroactive only to your date of retirement!**




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A note about direct deposit...

(also known as Electronic Funds Transfer)

- Direct deposit of your retirement allowance is now mandatory
- Your monthly retirement allowance is transferred to your bank account on the last business day of each month
- You will only receive a monthly statement...
 - when there is a change to the amount of your retirement allowance
 - when the MTRS needs to notify all retirees of an announcement
 - every December (year-end summary)

- When you do get a direct deposit statement from us, please be sure to review the “message area” for news and updates!
- Even though you will receive your payments via direct deposit, it is vital that you keep your address current with us, to ensure that you continue to receive important mailings—such as your 1099-R tax form and Benefit Verification form—from us.

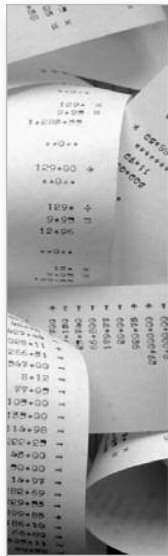


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Tax issues

- Your retirement allowance is **not** subject to Massachusetts state income tax
- Your retirement allowance is federally taxable
- Many of you will have slightly reduced “taxable” earnings each year because of “post-tax” dollars in your annuity savings account at the time of your retirement
- If you intend to move out of state, check with the Department of Revenue in that state to determine if your retirement allowance is subject to state income tax

- As a reminder, your “after-tax” amount includes your contributions prior to 1988, plus any “after-tax” payments made to buy back prior service.
- If you move to another state after retirement, your allowance may be subject to that state’s income taxes. It is advisable to check with the other state’s department of revenue, or the Massachusetts Department of Revenue’s website, at mass.gov/dor/pensioninfo.




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Tax issues

- By January 31st of each year, we will mail you a **1099-R** tax form (the retiree version of your W-2 form)
- Gross earnings and taxable earnings will be detailed on the 1099-R
- You are also required to provide proof that you remain eligible (i.e., alive) to receive your retirement allowance
- At least once every two years, the MTRS will send you a **Benefit Verification Form** to prevent pension fraud and ensure your benefits are being paid to the rightful and living recipient; your notarized signature is required

- **If you retire before age 59-1/2:** Please note that in the year that you turn age 59-1/2, we will send you **two** 1099-R tax forms, as the IRS requires that we identify and distinguish between payments that are made to you when you are *under* age 59-1/2, and payments that are made to you when you are *over* age 59-1/2.
- **The Benefit Verification process:** As required by the agency that oversees all Massachusetts public retirement systems (the Public Employee Retirement Administration Commission, PERAC), you are periodically required to provide proof that you remain eligible (i.e., alive) to receive your retirement benefits. At least once every two years, we conduct our Benefit Verification process, which is designed to prevent pension fraud and ensure that your benefits are being paid to the rightful and living recipient. We will send you a Benefit Verification form, which you must complete, have notarized, and return in order to continue to receive your benefits.




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Post-retirement employment

There are **no limits** on the following:

- Employment in the private sector
- Employment in another state—public or private
- Employment within the federal government
- Volunteering

- These limitations apply to post-retirement employment with a Massachusetts public employer. In other words, if you render service to a Massachusetts city, town, county or the Commonwealth, the limitations will apply.
- The work that you perform does not necessarily have to meet the requirements for membership in a Massachusetts contributory retirement system; these limitations apply if you work as a “leased employee” or if you receive *any* check issued by a public employer in Massachusetts, including work as a consultant.




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Post-retirement employment

General time and earnings limitations on re-employment in the **Massachusetts public sector...**

- **If returning to same employer from which you retired:** Must be separated from service for 60 days before returning (waived if retiring at age 65 or at 80% maximum benefit)
- **Time:** Service cannot exceed **960 hours** in a calendar year
- **Earnings:** Post-retirement earnings **cannot exceed** the difference between the current salary of the position from which you retired, and the amount of your annual pension

- If you are returning to work for a Massachusetts public employer—but not the same employer from which you retired—then the 60-day separation from service requirement does **not** apply.



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Post-retirement employment


An example of earnings restrictions

Mary Educator retires June 30, 2011 from a position that paid \$63,000 per year

School year 2011–12 salary for Mary's former position*	\$65,000
– Mary's annual gross MTRS pension	– \$45,000
Mary's allowable earnings for the rest of calendar year 2011	\$20,000

* "Salary" includes earnings such as regular longevity, coaching and contracted stipends. It does not include annuity/insurance premiums or other fringe benefits.

- For additional information, as well as the link to PERAC's interactive "Post-Retirement Earnings Worksheet" that you and your employer can use to determine and understand your specific restrictions, see our web page on working after retirement, at mass.gov/mtrs/2members/22retiree/22work.htm.




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Post-retirement employment

Different rules in the event of an ESE-approved "critical shortage":

- RetirementPlus retirees must wait two years to be eligible
- School district must contact the ESE to obtain a one-year "waiver" for a specific position
- If above are met, the retiree may work without earnings limitation for the duration of the critical shortage "waiver"

- The earnings limitations on re-employment of retirees in the Massachusetts public schools may be eased if the Department of Elementary and Secondary Education (ESE) determines there is a "critical shortage" in a particular position. The ESE has adopted regulation 603 CMR 7.03(b), allowing the Commissioner of Elementary and Secondary Education to deem that a district has a critical shortage upon the request of a superintendent and demonstration that the district has made a good-faith effort to hire non-retirees and has been unable to find them. The critical shortage application process is similar to that for requesting a waiver for certification.
- The ESE will send a written notice of its decision on the critical shortage application both to the school district and the person it wishes to hire. Accordingly, please do not assume that you are working under a critical shortage waiver unless you have received a copy of the approval from the ESE.




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Post-retirement employment

Additional precautions...

- Service rendered as a "consultant" or a "leased employee" to a MA public school or agency **is** subject to the service and earnings restrictions
- You may elect to waive or "freeze" your benefit if you are approaching your earnings or service limits
- If you exceed the allowable limits, the MTRS or your employer must recover all excess earnings from you

- Effective July 1, 2004, members of Massachusetts contributory retirement systems who retired under superannuation or termination retirement were allowed to reinstate as active members of the MTRS.
- In other words, retired members who agree to certain terms and conditions, can return to active membership in the MTRS and, in effect, "unretire." Under this provision, the retiree must pay back to the retirement system the total pension benefits received while retired, plus interest at one-half of the actuarially assumed rate, currently 4.125 percent. Additionally, the retiree must be employed in a full-time position subject to membership in the MTRS, for at least five full years from his or her reinstatement date, in order to accrue additional retirement benefits.
- Since this legislation was passed, only a very few MTRS retirees have reinstated.



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Social Security: Two “double-dipping” laws


If you are eligible for Social Security benefits based on your...

- **Own employment earnings:**
Windfall Elimination Provision (WEP)
 - Exempt from WEP if you were eligible to retire from the MTRS prior to 1/1/86
- **Spouse’s employment earnings:**
Government Pension Offset (GPO)
 - Exempt from GPO if you were eligible to retire prior to 12/1/82

See our handout, *Social Security and the MTRS member*

- For additional information, please visit www.socialsecurity.gov.
- While the reductions under Social Security’s two “double-dipping” laws apply to *retirees* of Massachusetts public pension systems who also receive Social Security benefits, these reductions do **not** apply to the *survivor beneficiaries* of public retirees.

For example, Mary Educator retired under Option C and named her spouse, John, as her beneficiary. John is also retired and is receiving Social Security benefits based on his own employment earnings. Upon Mary’s death, John will begin receiving Mary’s MTRS Option C survivor benefits, and his Social Security benefits will not be reduced.

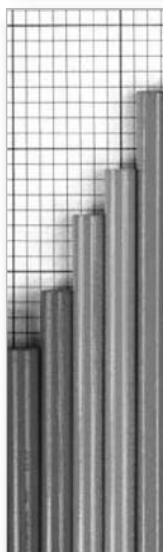


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Social Security

- Even if you are subject to the WEP or GPO, you may still qualify for Medicare either on your own or through your spouse
- For more information, please visit www.medicare.gov

- If you receive Social Security benefits in addition to your MTRS retirement allowance, and you are subject to either the WEP or GPO, you may be required to report cost-of-living adjustments (COLAs) to your MTRS pension to the Social Security Administration. When you apply for Social Security benefits, please be sure to inquire as to when and how you should report your MTRS COLAs.
- Remember: Avoid penalties—**BEFORE your 65th birthday**, contact the SSA to determine your eligibility for Medicare and when you need to apply for Part B.



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Cost-of-Living Adjustments

- **Eligibility:** MA public retirees are eligible for COLAs after one full fiscal year of retirement (the fiscal year is July–June)
- **Granted by Legislature:** As part of the annual budget process, a COLA is subject to approval by vote of the MA Legislature
- **Amount:** Currently, 3% or the CPI, whichever is less, on the first \$12,000 of your retirement allowance, for a maximum increase of \$360 per year

- Retirees are eligible to receive a COLA after one full fiscal year of retirement. For example, if you retire on June 30, 2011, you will not be eligible to receive a COLA until July 1, 2012 (in other words, *after* the 2012 fiscal year, which runs from July 1, 2011 through June 30, 2012). For additional information and an example of how your date of retirement affects your eligibility for your first COLA—and what that means—please see the next page.
- The Board continues to support an increase in the cost-of-living adjustment (COLA) base while securing the purchasing power protection of our retired members, and establishing an employee pension contribution rate that is reflective of the retirement benefits earned by our members.

Choosing your retirement date

Summer birthdays, mid-year retirements and other considerations

Your retirement date affects not only the amount of your benefits, but when they become payable and when you become eligible to receive your first cost-of-living adjustment (COLA). For some members, choosing a retirement date is a simple decision; for others, it is a difficult and emotional choice. To choose the retirement date that is best for you—financially and personally—make sure that you understand how the formula works and the financial considerations involved.

Consider what these dates could mean for you...

■ June 30	The majority of MTRS members retire on June 30, the date on which most contracts for teachers come to an end. Additionally, by regulation, MTRS members retiring at the end of the school year must use June 30 as their retirement date even if the last day of school is earlier in the month. This rule exists so that teachers not only complete their contractual obligations, but also receive full service and salary credit for the year for their retirement calculations.
■ Your birthday*	<p>In July or August: If you're under age 65, it may be in your financial interest to retire on your birthday instead of June 30. On your birthday, your age factor will be higher, resulting in a greater retirement benefit for the rest of your life. Note, however, that you need to consider the amount of retirement benefits that you "give up" by postponing your retirement date until your birthday. Example: Joe Teacher will turn 61 on his birthday on August 2. If he retires on his birthday instead of June 30, he will "give up" the equivalent of one month and two days of retirement benefits that he would have received if he had retired on June 30. However, it is financially advantageous for Joe to wait until his birthday because he has determined that his retirement allowance will be sufficiently greater on that date—allowing him to recoup the retirement payments he "gave up" in a short period of time—and he will receive his increased benefit for the rest of his life.</p> <p>During the school year: To receive the benefit of a higher age factor, you may want to retire on your birthday during the school year—or at the end of the month in which your birthday occurs. The MTRS calculates creditable service based on full years and full months of employment. Accordingly, if your birthday is October 17, it would most likely be in your financial interest to work until the end of October and use October 31 as your retirement date; by using October 31, you will receive service credit for the full month.</p>
■ Any date during the school year	If circumstances arise that cause you to decide to retire during the school year, please keep in mind that the MTRS calculates creditable service based on full years and full months of employment. Accordingly, it would most likely be in your financial interest to work until the end of a particular month, if possible, so that you receive service credit for the full month. Reminder: If you are on fully paid sick leave, you are accruing full service and salary credit toward retirement.
■ After your separation from service	<p>Within 60 days of your separation from service: Your retirement date may be retroactive to your date of separation from service up to 60 days if you file your retirement application—along with a copy of your school district's written acceptance of your retroactive retirement date—within 60 days of your separation from service.</p> <p>More than 60 days after your separation from service: If you file your retirement application more than 60 days after your separation from service, your date of retirement cannot be retroactive—it may be no earlier than 15 days from the date that we receive your application. Example: Mary Educator resigns her teaching position on June 30, 2011 to explore another career. On February 1, 2012 she decides to retire from the MTRS. Her earliest retirement date is February 16, 2012.</p>

...and understand what your date of retirement means regarding COLAs...

Reminder—
While annual COLAs have been granted in recent years, COLAs are subject to legislative approval every year, and are not guaranteed.

Eligibility for first COLA: You must be retired for a full fiscal year in order to receive your first cost-of-living adjustment (COLA), and fiscal years run from July 1 to June 30. Accordingly, if you retire on June 30, 2011, you will be eligible to receive your first COLA on July 1, 2012; if you retire just one day later, on July 1, 2011, you must wait until July 1, 2013—two calendar years—to receive a COLA.

COLAs are cumulative: If they are granted, COLAs are added to your gross retirement allowance. For example, if your annual retirement allowance is \$40,000 and the COLA is \$360, your gross allowance becomes \$40,360. With the next year's COLA, your allowance increases to \$40,720; the following year it is \$41,400, and so on. In other words, that first \$360 "stays" in your allowance over the years. So if you retire on July 30 instead of June 30, you will not only "miss" that first COLA of \$360 in your first year of retirement, but every year thereafter. Over the course of 20 years, that could result in \$7,200 in "missed" COLAs; while this may not make enough of a difference for you to change your choice of retirement date, you should be aware of the effect this might have on your benefits.

Remember—we are here to help...

If you need more information about choosing your retirement date, our Member Services representatives in both offices are happy to assist you!

*Using a later birthday as a retirement date will **not** result in an increase in:

- **the age factor** used in the calculation of your retirement allowance if you are already at age 65 (the age factor does not increase after age 65); or,
- **your allowable percentage of salary average**, if, based on the current combination of your age and years of creditable service, you have already reached the maximum allowance of 80% of your three-year salary average.

How part-time service is credited Pursuant to 807 CMR 3.04

For part-time membership service rendered...	You will receive...
■ On or before 11/9/1990	Full-time credit
■ Between 11/9/1990 and 7/9/2010	If your employment status during this period: <ul style="list-style-type: none"> □ did not change (i.e., you did not go from part-time to full-time, or vice versa), full-time credit □ changed (i.e., you went from part-time to full-time, or vice versa, excepting kindergarten service), prorated credit based on the percentage of full-time service it represents (e.g., if you worked for one year on a half-time basis, you will receive 0.50 year of service credit for that year).
■ On or after 7/9/2010*	Prorated credit based on the percentage of full-time service it represents, regardless of any change in your employment status (e.g., if you worked for one year on a half-time basis, you will receive 0.50 year of service credit for that year).

* **EXCEPTION:** If you elected into RetirementPlus and retire on or before July 1, 2012, your part-time membership service between July 9, 2010 and your date of retirement will be credited pursuant to the creditable service regulation in effect either prior to, or on, July 9, 2010, whichever yields the higher benefit.

An example: Karen Kindergarten

For illustration purposes only; results may not be typical

A kindergarten teacher for her entire career, Karen has always worked on a half-time basis (50% of full-time). She is retiring at age 60 on June 30, 2012. Because she had opted into RetirementPlus and is retiring during the “grandfather” period, the MTRS will calculate her retirement benefit under both the “old” and “new” creditable service regulations.

Benefit calculation components	“Old” regulation	“New” regulation
Creditable service (all on a half-time basis)		
9/1/1982–6/30/2010	28 yrs	28 yrs
9/1/2010–6/30/2012	Full-time equivalent 2 yrs	Prorated 1 yr
Total	30 yrs	29 yrs
Salary average		
2009–2010	Actual earnings \$34,000	Actual earnings \$34,000
2010–2011	Actual earnings \$35,000	Full-time equivalent \$70,000
2011–2012	Actual earnings \$36,000	Full-time equivalent \$72,000
Total	\$105,000	\$176,000
÷ 3 years	÷ 3	÷ 3
Salary average	\$35,000	\$58,667
Benefit calculations		
Age factor (age 60)	0.020	0.20
x Years of creditable service	x 30	x 29
% of salary average	60%	58%
+ RetirementPlus percentage	+ 12%	+ 0%
Allowable % of salary average	72%	58%
x Salary average	x \$35,000	x \$58,667
Option A allowance	\$25,200	\$34,027

Karen’s benefit is higher under the “new” regulation, so she will receive that amount. Because she did not meet the 30-year creditable service requirement to retire under RetirementPlus, she will also receive a refund of her RetirementPlus contributions (equal to the difference between 11% and her contribution rate before 7/1/2001).

Additional notes...

Kindergarten teaching service

If you rendered any part-time membership service prior to July 9, 2010 as a kindergarten teacher, please note that that service is credited as full-time equivalent (FTE) service.

Sabbaticals and partially paid leaves of absence

All sabbatical leaves and partially paid leaves of absence are prorated based on the percentage of full-time salary you received (e.g., if you were on a full-year sabbatical at 50% salary, you will receive 0.50 year of service credit for that year).

Part-time nonmembership service

All part-time nonmembership service is prorated based on the percentage of full-time service that it represents. Additionally, all part-time service in the Boston Retirement System will be prorated.

Membership service and RetirementPlus

Membership service is service you acquire while working in a position eligible for membership in the MTRS during which you contribute directly to the MTRS via a payroll deduction by your school district. If you are participating in RetirementPlus, you must have 30 years of creditable service—at least 20 of which must be “membership” service with the MTRS or the Boston Retirement System as a teacher—in order to receive the enhanced benefit.

An exception: Part-time service and eligibility for ordinary disability retirement

For the purpose of determining your eligibility for ordinary disability benefits, part-time service will count as full-time service for purposes of meeting the ten-year minimum service requirement, but not for purposes of determining your benefit amount.

Your retirement process timeline and checklist

To fill in the dates, start with "Your date of retirement" and work backward

* Please note that all creditable service purchases must be completed **before** your effective date of retirement, and some require that you be a member in service at the time of purchase.

If you have any questions about purchasing service, please contact our office.

As you will see on the application, you are asked to list all of your creditable service and provide your "best estimate" of your total number of years.

Please note that it is NOT necessary for you to request a "creditable service estimate" from the MTRS in order to complete your application. When we process your application, we will determine your exact amount of creditable service and notify you of the total before your benefit is finalized.

When (in relation to your date of retirement)	Action	Your dates
One year before	<input type="checkbox"/> CONTACT your local health insurance coordinator to confirm the health insurance coverage for which you will qualify as a retiree. If you cover a spouse or other dependent, be sure to ask about dependent coverage while you are retired <i>and</i> in the event of your death.	<input type="text" value="/ /"/>
7–8 months before	<input type="checkbox"/> GO to our website at mass.gov/mtrs , and select Members > Active members > Creditable service. Review all of the types of service listed and apply to purchase any that apply to you and for which you have not yet established credit.	<input type="text" value="/ /"/>
6 months before	<input type="checkbox"/> GO to our website at mass.gov/mtrs , and, in the "Quick links to our most popular pages" menu, select "Apply for retirement." Follow the steps to estimate your benefits, review FAQ and download and print your retirement application. <input type="checkbox"/> If you have any pending creditable service purchases, request invoices from us and be sure to tell us that you are retiring.*	<input type="text" value="/ /"/>
4–5 months before	<input type="checkbox"/> Complete Part 1 of the application and forward Part 2 to your payroll officer for completion. <input type="checkbox"/> Gather your required documents. ⚠ NOTE: If you do not submit the required documents with your application, your application will not be processed. <ul style="list-style-type: none"> <input type="checkbox"/> Photocopy of your marriage certificate (<i>if you no longer use your former or maiden name or if you are selecting Option C and naming your spouse as beneficiary</i>) <input type="checkbox"/> Your certified birth record** (<i>photocopy not accepted</i>) <input type="checkbox"/> Photocopy of your military discharge form DD214 (<i>if you are a veteran</i>) <input type="checkbox"/> Photocopy of your notice of termination (<i>if you are filing for an involuntary termination retirement allowance OR are retiring on a day other than the last day in your contract year</i>) <input type="checkbox"/> Photocopies of your contracts/salary schedules for your 3-year salary average period, including any pages referencing contractual language to substantiate any earnings in excess of your regular contract rates <input type="checkbox"/> A VOIDed check (<i>if your designated account for direct deposit is a checking account</i>) <input type="checkbox"/> Completed Option B beneficiary designation (<i>if you are selecting Option B</i>) <input type="checkbox"/> Your beneficiary's certified birth record** (<i>if you are selecting Option C; photocopy not accepted</i>) <input type="checkbox"/> Photocopy of your qualified Domestic Relations Order (<i>if you are divorced and have such an order in effect; please include your ex-spouse's current address</i>) ** Your original documents will be returned to you.	<input type="text" value="/ /"/>
3–4 months before	<input type="checkbox"/> Receive signed Part 2 from your payroll officer. <input type="checkbox"/> Make a copy of Part 1, Part 2 and ALL attachments. <input type="checkbox"/> Submit your application and ALL attachments to MTRS. <i>We will acknowledge receipt of your application in writing.</i> <input type="checkbox"/> Make payment for any pending creditable service purchases.*	<input type="text" value="/ /"/> <input type="text" value="/ /"/> <input type="text" value="/ /"/> <input type="text" value="/ /"/>
<i>If you filed 4 months before your retirement date, about one month before</i>	<input type="checkbox"/> Receive Notice of Estimated Retirement Benefit (NERB) and first payment information from MTRS.	<input type="text" value="/ /"/>
Your date of retirement		<input type="text" value="/ /"/>
Second full month after	<input type="checkbox"/> Receive first retirement allowance payment from the MTRS.	<input type="text" value="/ /"/>